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Imagine you go to a medical doctor who doesn't take your temperature, check blood pressure or is not allowed to do a blood test before diagnosing your illness. What would your impression of the doctor be? Would you have faith in him?

In the same way, reliable economic indicators are the first step for effectively managing an economy. Take the current spate of strikes and highway closures: what is the economic cost? We may have some idea, but there is no data or quantitative reflection of the impact. So how can one objectively discuss it?

Among the economic indicators, we have Gross Domestic Product or Gross National Product that calculates the total output of goods and services in the economy. One would imagine that in Nepal where everybody feels that there is an urgent need to create jobs, employment figures would be made available.

Demonstrations with workers demanding better wages have been ongoing in Nepal. There is also a serious power crisis. How is this really affecting the economy? We need a measure of economic activity to tell us how much employment is possible. What is the impact of labour issues, bandas and strikes and power cuts on industries? Is industrial production contracting, or expanding or stagnant?

Clear indicators would make us more conscious of the consequences of our actions. It would help us figure out better ways to resolve differences or problems rather than resorting to bandas and closures.

The price of agricultural commodities has increased, inflation is rising and income is not keeping up. We always talk about the impact of higher prices of food on consumers but we never talk about the impact of a farmer getting a higher price. When the price is rising, the impact is not always negative. You have to gauge how it impacts not just the consumer, but also the producer for an all-inclusive picture of what's going on in the economy.

Another broad area of economic data is government fiscal accounts. Nepal has done a pretty good job in becoming more transparent and we hear of the tremendous increase in revenue collection. Much of it hasn't been spent yet but it is an area where progress has been clear because data is available.

It is very difficult to talk about specific policies if you don't have data available. There is never a 100 per cent agreement in any policy response, but if you have data or economic indicators, the decision or debate is likely to be a lot more rational and pertinent.

There are three broad categories of indicators ? the leading indicator gives you some idea of the future trends in gross domestic product, the broadest measure of economic activity; coincident indicators e.g. retail sales are measures of the current state of the economy; lagging indicators are indicators which change only after the economy changes e.g. the unemployment rate.

From the point of view of business and general economic activity ? i.e. what will happen in the future, clearly the most important indicator is the leading one. This is because you would want to have some idea of what is likely to happen and be able to plan a response.

Economic information or indicators have some prerequisites regardless of who produces them. Whether government or a private body, the indicators have to be precise, credible and timely. You have to resist the temptation to play with the facts. The private or governmental body preparing indicators may always be tempted to make it look better than it actually is. We have to resist that urge.

The ADB forecasts Nepal's GDP growth as 3.9 per cent while the Government's forecast is between 4.4 to 4.7 per cent. If the GDP is really growing at 4 or 5 per cent should it be something that we feel? Should we not do what a weather forecaster would do: look out of the window to ground truth our forecasts?

Does the economy feel like it is growing at 4-5 per cent in your daily life? If the answer is yes, then they have done a great job with the forecast. If the answer is no, then we need to go back

and take a look at the numbers again.

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Chan is the deputy director, USAID/Nepal. The above piece is excerpted from talk delivered at a function organized on April 6 by USAID, Laxmi Bank and Himalmedia on "Economic Indicators, the Business Cycle and Economic governance in Nepal".